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## **Terry Goddard Says Mortgage Industry Needs to Do More to Reduce Home Foreclosures**

(Phoenix, Ariz. – Feb. 7, 2008) Citing a new national report on subprime mortgages, Attorney General Terry Goddard said today that the mortgage industry needs to reach out to more homeowners at risk of foreclosure if the nation's housing crisis is to be brought under control.

While mortgage servicing companies have increased outreach efforts and shown more willingness to modify home loans, Goddard said, the report shows most seriously delinquent borrowers were not undertaking any mitigation option.

The housing report was released by the State Foreclosure Prevention Working Group, a multi-state task force whose members include Goddard and 10 other state Attorneys General. The task force was formed last summer to work with subprime mortgage loan servicers to reduce the number of foreclosures by encouraging loan modifications and other sustainable solutions.

"The report found a very large gap between the number of homeowners needing assistance and the number who are getting any," Goddard. "The report shows that home delinquencies have been growing at a faster rate than loss mitigation efforts. I'm particularly concerned about getting help to homeowners who are doing all they can to avoid foreclosure."

The report summarizes mortgage data from October 2007. Key findings include:

- Seven out of 10 seriously delinquent borrowers are not on track for any loss mitigation option. The lack of interaction between mortgage servicers and homeowners remains a major problem. Data suggests that loan delinquencies are outpacing the increase in loss mitigation efforts.
- Servicers have increased their use of loan modifications and other home retention options. For those delinquent homeowners in contact with servicers, almost half (45%) are working toward a loan modification. Servicers are increasing their use of longer-term changes to the mortgage loan versus their earlier reliance on short-term repayment or forbearance agreements.
- Payment resets on hybrid adjustable rate mortgages (ARMs) have not yet been a driving force in foreclosures. A significant percentage of subprime adjustable rate loans are delinquent before they experience payment shock from their first adjustment, reflecting weak underwriting or fraud in the origination of the loan. With so many homeowners struggling to stay afloat prior to rate resets, we need to act quickly to address these hybrid ARM loans before the payment shock due to the rate reset triggers further foreclosures.
- Homeowners are helping themselves. Most delinquent loans resolved in October 2007 occurred due to the homeowner catching up on back payments. As of October, actions by homeowners,

not servicers, have prevented the most foreclosures. This, however, may be a temporary development.

- The refinance option has nearly evaporated. Historically, serial refinancing was the primary way that the mortgage industry and homeowners managed delinquencies in subprime loans. Despite recent interest rate cuts, the mortgage industry will not be able to refinance its way out of this crisis absent dramatic changes in available loan products or a reversal in home price declines.

“The information in this report is invaluable,” Goddard said. “As the residential mortgage crisis has worsened, state and federal officials have been frustrated by the lack of reliable data on loss mitigation efforts by mortgage servicers. This report offers our first glimpse of reliable data on what is actually being done by servicers to provide relief to homeowners facing foreclosure.”

The task force collaborated with industry and federal regulators to develop a uniform data reporting format to collect comparative data to measure the extent of the foreclosure problem and the servicers’ response to it. Thirteen of the nation’s 20 largest servicers provided the requested data for the month of October 2007. These servicers represent approximately 58 percent of the total subprime servicing market. Reporting companies serviced 5,110,678 subprime and Alt-A loans.

Overall, over 150,000 delinquent loans were in the process of receiving a loan modification or other home retention accommodation at the end of October.

The State Working Group anticipates future reporting on the data collected from servicers. The Group will continue to collect monthly data from reporting servicers to provide public information on trends. A preliminary review of the November 2007 data suggests that subprime delinquency rates continued to rise in that month.

The report is available at

[www.csbs.org/content/navigationmenu/home/stateforeclosurepreventionworkshopdatareport.pdf](http://www.csbs.org/content/navigationmenu/home/stateforeclosurepreventionworkshopdatareport.pdf)

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About the State Foreclosure Working Group: The State Foreclosure Working Group comprises representatives of the Attorneys General of 11 states (Arizona, California, Colorado, Iowa, Illinois, Massachusetts, Michigan, New York, North Carolina, Ohio and Texas), two state banking departments (New York and North Carolina), and the Conference of State Bank Supervisors. The Group was formed in the summer of 2007 to work with servicers of subprime mortgage loans to identify ways to work together to prevent unnecessary foreclosures.